

Notice of Funding Availability (NOFA)

**MULTIFAMILY HOUSING PROGRAM
(MHP)**

2004-2005 FUNDING ROUND B-5

January 26, 2005

TIMETABLE FOR MHP APPLICATIONS	
NOFA Issued:	January 26, 2005
Statewide Applicant Workshops:	See Section D
Application Forms Available (on or about):	February 2, 2005
Applications Due:	April 5, 2005
Loan and Grant Committee Meeting:	June, 2005

State of California
Department of Housing and
Community Development

2004-2005 FUNDING ROUND B-5
NOTICE OF FUNDING AVAILABILITY (NOFA)
MULTIFAMILY HOUSING PROGRAM
January 26, 2005

Table of Contents

A.	INTRODUCTION.....	1
B.	APPLICATION PACKAGING AND SUBMITTAL.....	2
C.	TIMETABLE FOR NOFA, APPLICATIONS, WORKSHOPS, AND AWARD NOTIFICATION.....	2
D.	APPLICATION WORKSHOPS.....	2
E.	PROGRAM SUMMARY.	3
F.	PROGRAM REGULATIONS AND LEGAL AUTHORITY.	3
G.	ELIGIBLE PROJECT SPONSORS.....	3
H.	ELIGIBLE USES OF FUNDS.	4
I.	ELIGIBLE PROJECTS.	4
J.	PROJECTS WITH EXTRAORDINARILY HIGH DEVELOPMENT COSTS.....	4
K.	MAXIMUM LOAN AMOUNTS.	5
L.	LOAN TERMS AND SECURITY.....	5
M.	RENT AND OCCUPANCY LIMITS.....	5
N.	DEVELOPER FEES AND DISTRIBUTION LIMITATIONS.....	6
O.	PROJECTS FOR POPULATIONS WITH SPECIAL NEEDS.	6
P.	FUNDING COMPATIBILITY.....	7
Q.	GEOGRAPHIC DISTRIBUTION.....	8
R.	PREVAILING WAGE REQUIREMENTS.....	8
S.	IMPORTANT LEGAL MATTERS.	8
T.	APPLICATION POINT SCORING.....	9
U.	DISCLOSURE OF APPLICATION.	9

ATTACHMENT 1

Nonresidential Space for Supportive Services Funding Requirements

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF COMMUNITY AFFAIRS**

1800 Third Street, Suite 390
P. O. Box 952054
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**2004-2005 FUNDING ROUND B-5
NOTICE OF FUNDING AVAILABILITY (NOFA)
MULTIFAMILY HOUSING PROGRAM
January 26, 2005
MHP General Funding: \$70 million
Nonresidential Space for Supportive Services Funding: \$3 million**

PROGRAM DESCRIPTION**A. Introduction.**

The California Department of Housing and Community Development (hereinafter "HCD" or "Department") is announcing the availability of approximately \$70 million in funding for the Multifamily Housing Program (MHP). Funding for this NOFA is provided under the Housing and Emergency Shelter Trust Fund Act of 2002 (SB 1227, the Act) and by the vote of the people of the State of California who, on November 5, 2002, approved Proposition 46 which provides bond funding for programs authorized under the Act. The funds awarded under this NOFA will be allocated to projects that are eligible for funding under the following two MHP program components authorized under the Act:

1. MHP General funds of approximately \$70 million. These funds are available as permanent financing for affordable multifamily rental and transitional housing developments.
2. MHP Nonresidential Space for Supportive Services (NSSS) funds of approximately \$3 million. The NSSS funds are being set aside under this NOFA to be used in conjunction with projects funded under the MHP General allocation. These funds shall be for the development of space to house supportive services. Attachment 1 provides detailed project eligibility requirements and selection criteria for the NSSS funding.

The Department anticipates the release of a separate "Supportive Housing" NOFA, for MHP funds on an "over the counter" basis in February 2005 for projects that include Supportive Housing units. The Department anticipates the release of Regulations that specifically address the MHP Supportive Housing Program requirements prior to the release of the next Supportive Housing NOFA. (The MHP Supportive Housing NOFA will be available on HCD's website at <http://www.hcd.ca.gov/ca/mhp>.)

APPLICATION PROCEDURES AND DEADLINE

B. Application Packaging and Submittal.

Applications must be submitted on forms provided or approved by HCD. Application forms must not be modified. A complete original application, plus one copy, must be received by the Department no later than 5:00 P.M. on Tuesday, April 5, 2005. No facsimiles, late applications, incomplete applications, or application revisions will be accepted. Applications must meet all eligibility requirements upon submission. Applications having material internal inconsistencies will not be rated and ranked. HCD expects to issue awards to successful applicants in June, 2005.

Application forms will be available on or about February 2, 2005. To receive an application package, please visit HCD's website after this date, or contact MHP Program Staff at (916) 323-3178 or multifamilyhousingsection@hcd.ca.gov. Applications must be delivered to one of the following addresses:

U.S. Mail

Multifamily Housing Program
Department of Housing and Community
Development
Division of Community Affairs
P.O. Box 952054
Sacramento, CA 94252-2054

Private Carrier

Multifamily Housing Program
Department of Housing and Community
Development
Division of Community Affairs
1800 Third Street, Room 390
Sacramento, CA 95814

It is the applicant's responsibility to ensure that its application is clear, complete and accurate. After the application deadline, MHP staff may request clarifying information provided that such information does not affect the competitive rating of the application. No information will be solicited or accepted if this information would result in a competitive advantage to an applicant. No applicant may appeal HCD staff's evaluation of another applicant's application.

C. Timetable for NOFA, Applications, Workshops, and Award Notification.

TIMETABLE FOR MHP APPLICATIONS	
NOFA Issued:	January 26, 2005
Statewide Applicant Workshops:	See Section D
Application Forms Available (on or about):	February 2, 2005
Applications Due:	April 5, 2005
Loan and Grant Committee Meeting:	June, 2005

D. Application Workshops.

To assist applicants in preparing their applications, the Department will conduct application workshops. Workshop attendance will assist the applicant with application preparation. Time is also set aside for answering individual applicant project related questions. Potential applicants

are urged to attend. If you are unable to attend one of the workshops and have questions about the application process, please contact the MHP program staff.

Application workshops are scheduled as follows:

Date	Location	Time
February 8, 2005	Department of Housing and Community Development 1800 3 rd Street, Room 183-185 Sacramento	10:00 AM – 1:00 PM
February 9, 2005	Elihu Harris Building 1515 Clay Street, Room 11 Oakland	10:00 AM – 1:00 PM
February 17, 2005	Junipero Serra State Building Carmel Room-First Floor 320 W. Fourth Street Los Angeles	10:00 AM – 1:00 PM

* ADVANCED REGISTRATION FOR THE WORKSHOP IS **NOT** REQUIRED.

E. Program Summary.

MHP provides low-interest loans to developers of affordable housing. MHP General funds available under this NOFA may be used for multifamily rental and transitional housing projects involving new construction, rehabilitation, acquisition and rehabilitation, or conversion of nonresidential structures.

HCD expects MHP funds to be leveraged with other resources, including local government funds, the federal Continuum of Care programs, four percent low-income housing tax credits, tax-exempt bond financing and private debt financing.

Projects using nine percent tax credits are ineligible.

Projects receiving funding from the Department's Local Housing Trust Fund Matching Grant Program are not eligible to receive funds through MHP.

F. Program Regulations and Legal Authority.

MHP was established by SB 1121, Statutes of 1999 (Alarcón), which created Chapter 6.7, commencing with Section 50675, of the Health and Safety Code. Applications submitted under this NOFA shall be subject to two sets of regulations (the MHP-specific regulations and the Uniform Multifamily Regulations). The regulation text is available on the HCD website at: <http://www.hcd.ca.gov/ca/multifamilyregs.html>. Applications submitted under this NOFA are also subject to the applicable statutory requirements, including those of Proposition 46 and SB 1227 of 2002 and the requirements specified in this NOFA and the Attachment.

All section references in this NOFA refer to the MHP regulations. UMR section references refer to the Uniform Multifamily regulations.

G. Eligible Project Sponsors.

Sponsors and borrowing entities may be organized on a for-profit or not-for-profit basis. Any individual, public agency or private entity capable of entering into a contract is eligible to apply, provided that they or their staff have successfully developed at least one affordable housing

project. The Department will evaluate all Sponsors, including the roles of any general partner(s) in a limited partnership, to determine if the Sponsor's roles, responsibilities, and benefits in the project development and operations are commensurate with activities normally undertaken or controlled by project developers and owners. The Sponsor will be reviewed to determine if adequate staffing levels exist to undertake and complete the project. The same criteria will be applied to evaluate sponsor experience for purpose of awarding points. Sponsors of projects where at least 70 percent of the units consist of Special Needs Population units may be exempt from the requirement for previous development experience under limited conditions per Section 7303 (d).

Sponsors must have site control in the name of the Sponsor or an entity controlled by the Sponsor as defined in UMR Section 8303.

H. Eligible Uses of Funds.

MHP funds will be provided as permanent financing only, and may be used to take out construction loans used to cover normal project development (capital) costs, as detailed in Section 7304. MHP funds may be used to capitalize a project operating reserve account up to the limit required under UMR Section 8308. Program funds may not be used for the cost of supportive services, although Department-approved costs of on-site supportive services coordination may be treated as a project operating cost, payable from operating income. MHP funds must be attributable to the costs of "restricted" units (MHP units and units subject to a long-term regulatory agreement with occupancy and rent restrictions similar to those of MHP) or to the costs of facilities used for childcare, after-school care, and social services that are integrally linked to the restricted units.

I. Eligible Projects.

Projects must qualify as rental housing developments, as defined in UMR Section 8301, and meet the requirements of Section 7302. For example, projects must contain five or more dwelling units. MHP General funded units may be operated as permanent or transitional housing.

Projects are ineligible if construction has commenced as of the application due date per Section 7302, or if the project is already fully funded. Projects must meet the underwriting standards described in UMR Section 8310.

Projects receiving nine percent tax credits are ineligible and the Department will not hold MHP funds pending the outcome of a nine percent tax credit application. Therefore, projects which have a nine percent tax credit application pending at the time the MHP application is submitted will be disqualified from competing in this funding round. Furthermore, projects which receive a funding commitment and subsequently apply for nine percent tax credits will be deemed ineligible and the funding commitment will be immediately rescinded.

J. Projects with Extraordinarily High Development Costs.

The Department is concerned about the extremely high cost of a small but significant number of projects funded in the recent past, and the extraordinary level of public subsidy required by these projects. Of particular concern are projects with total development costs in excess of \$300,000 per unit. The Department will require thorough justification for costs above that level. In this period of rapidly rising development costs, it is especially important to encourage MHP funding of otherwise qualified projects that are able to minimize costs, without sacrificing design elements that are cost effective in the long run or meet vital needs of project residents.

In light of this concern, and consistent with UMR Section 8311, the Department reserves the right to reject an application if total development cost exceeds an amount that cannot be reasonably

justified, in comparison to the costs for other similar developments of modest design in the general area. Projects may be required to justify the total development cost if the cost substantially exceeds the Department's historical project costs for similar projects, with an allowance for increased construction costs.

In evaluating projects with high per unit costs, the Department will closely scrutinize the justification that costly design features were necessary to obtain local approvals or neighborhood acceptance. Similarly, the Department will be giving close scrutiny to projects with extraordinary site development costs (where they are not fully compensated for by a sharply discounted purchase price), or where the constraints of the site necessitate an especially expensive design. Although the Department appreciates that individual developers may experience great difficulty locating more appropriate sites, it has concluded that the interests of the Program are best served by avoiding excessive site- and design-related costs.

K. Maximum Loan Amounts.

The maximum loan per project is \$10,000,000. The maximum loan amount per "restricted" unit is a function of unit size, location, and affordability level per Section 7307.

L. Loan Terms and Security.

Loans will have 55-year terms, and bear simple interest at the rate of three percent per year. For the first 30 years, annual interest payments will be required in the amount of 0.42 percent of the outstanding principal loan balance. The annual payment amount for the next 25 years will be set by HCD in year 30, and will be the minimum amount necessary to cover HCD's monitoring costs. Unpaid principal and accrued and deferred interest will be due at the end of the loan term. At the option of the sponsor, funding for Nonresidential Space for Supportive Services may be forgivable at the end of the 55-year affordability term, with no required payments during this term.

Cash flow remaining after payment of all debt service, Operating Expenses, required reserves and allowable deferred Developer Fee and Distributions per UMR Section 8312 and 8314 shall be applied toward repayment of the MHP loan. If the terms of other public agencies' financing also require payments from remaining cash flow, the Department may agree to share the remaining cash flow with the public agencies in proportion to the respective loan amounts.

MHP loan documents will include a promissory note, deed of trust and regulatory agreement. The deed of trust and regulatory agreement may be subordinated to bond debt, and amortizing loans from institutional lenders and the federal government provided no balloon payments are due prior to the end of the MHP loan term. MHP loans may not be subordinated to local public agency loans or restrictions attached to these loans, unless the amount of the local agency loan is at least twice the amount of the Department's total assistance to the project, including both loans and grants per Section 7306 (e) and UMR Section 8315.

The MHP loan must be secured by the fee or a leasehold interest in the property acceptable to the Department. The term of a leasehold interest must be at least 90 years (65 years where the lessor is a public entity) from the date the MHP loan closes, excluding any unexercised lease extensions. If the MHP loan is secured by a leasehold, the owner of the fee and the borrower must sign a recordable lease rider approved by the Department. See UMR Section 8316 for other leasehold requirements.

M. Rent and Occupancy Limits.

MHP assisted unit rent and tenant incomes will be restricted in accordance with the rent and income limits proposed by the project sponsor in their MHP application, with rents not exceeding

30 percent of the applicable income limit. The maximum possible income and rent limits are those set by the Tax Credit Allocation Committee (TCAC), using its calculation methods: 60 percent of Area Medium Income (AMI), adjusted by household size, and 30 percent of 60 percent of AMI, adjusted by bedroom size. (These maximum limits are available on the TCAC website at <http://www.treasurer.ca.gov/CTCAC/ctcac.htm>.)

Projects will be underwritten at the rent limits for the income levels proposed in the application. The Program's 1.20 debt coverage ratio limit will be applied using the maximum rents allowable.

Assisted unit rent increases will be limited in accordance with the rules governing tax credit units and Section 7311 and 7312. Where the project receives Section 8 or other rental assistance subsidies, "rent" is defined as the tenant's contribution, rather than the contract rent level. Sponsors of this type of project will be required to continue the rental assistance as long as it is available. Projects with rental subsidies must also be feasible with 50 percent of AMI rents for units garnering income-targeting points in the event the rental assistance is terminated.

N. Developer Fees and Distribution Limitations.

Developer fees mean the same as the definition of that term in the California Code of Regulations, Title 4, Section 10302 and includes Financial Consulting Costs. The Developer fees are further limited in accordance with UMR Sections 8312 and 8314 and distributions to the sponsor out of operating income are also limited in accordance with UMR Sections 8312 and 8314.

O. Projects for Populations With Special Needs.

Sponsors of Special Needs Populations projects must submit a specific, feasible plan for delivery and funding of tenant services for Department approval and will be required to meet minimum threshold criteria for experience and the provision of services. MHP funds may not be used to fund tenant services. Sponsors must also be very careful to avoid violation of laws barring housing discrimination. HCD will review proposed tenant selection criteria for potential violations of these laws. HCD may condition funding on the elimination of restrictions that it believes to be impermissible, or reject an application where it determines that compliance with applicable law is not feasible.

HCD announces the designation as a Special Needs Population, pursuant to MHP Regulation section 7301(r), households including at least one adult member with a long-term, chronic health condition that qualifies them for:

1. Eligibility under either of the following: Medicaid Waiver programs, the Multipurpose Senior Services Program (MSSP) or the Assisted Living Waiver Pilot Project (or its successor);
2. Eligibility for 20 or more personal care hours per week under the In-Home Supportive Services Program (IHSS); or
3. Eligibility for services under the Program of All Inclusive Care for the Elderly (PACE).

Eligibility for these programs must be established by the agency responsible for determining eligibility for the benefits they provide. However, once the eligibility determination is made for a particular program, tenants need not receive services under that program. For example, tenants could qualify for MHP-assisted units by qualifying for 20 hours per week of personal care hours through IHSS, but elect to use less than this number of hours, and instead receive the bulk of their care from an Adult Day Health Care center.

Should eligibility standards for the health care and service programs listed in the numbered points above change significantly over time, HCD may adjust the definition of this new Special Needs Population to reflect these changes. In addition, HCD may add to the list of qualifying health care and service programs as eligibility standards are tightened or as new programs are created.

This new Special Needs Population needs an unusually high level of health care and related services, as compared to many other special needs groups. Project sponsors planning to serve this population must demonstrate that their tenants will have ready access to these services. One way to ensure access is to include an Adult Day Health Care center as part of the project.

Fair Housing is a very complex and in many ways unsettled area of law. Sponsors are encouraged to seek professional advice if there is any doubt that their proposal may run afoul of non-discrimination and fair housing laws. A useful resource is *Between the Lines, A Question and Answer Guide on Legal Issues in Supportive Housing*, recently published by the Corporation for Supportive Housing. This document is available online at www.csh.org or by calling the publisher at (510) 251-1910.

In evaluating tenant selection criteria for Special Needs Populations applications, HCD will first examine whether the criteria resulted from federal or state funding, as an indicator of legislative authorization. It will then review other aspects of the selection criteria, the services and facilities proposed to meet the needs of the targeted group and the proposed sources of other funding. If an applicant disagrees with HCD's determination, it may seek an alternate opinion from the California Department of Fair Employment and Housing (DFEH). HCD will defer to DFEH's opinion. Please be advised that a proposal may have substantial discrimination problems even though it targets a group specifically listed in the definition of Special Needs Populations in Section 7301.

P. Funding Compatibility.

Sponsors typically anticipate using an array of funding sources to fund the construction and permanent financing of their projects. The sponsor should determine, prior to applying for the MHP funds, that the requirements of the non-MHP funding sources are compatible with the requirements of the MHP. For example, compatibility issues have arisen with local and federal funding sources related to:

- The required terms of the MHP security when the security for the MHP loan is in a leasehold interest (UMR Section 8316);
- The MHP prohibition of senior debt that has a provision for a "balloon" payment;
- The mandatory payment to HCD of the .42% debt service;
- The MHP requirement to target some of the project rents to extremely low income households that are below the federal income eligibility standard; and
- The State statutory requirement that projects financed with MHP pay no less than the State prevailing wage rate.

Department experience with HUD Section 811 projects indicates a number of compatibility issues may exist in these projects. For HUD Section 811 projects, the Sponsor must demonstrate its ability to make the required annual MHP debt payment (0.42 percent). This may be done by capitalizing a reserve account, within the development budget, in an amount sufficient to cover the annual payment. However, please note that MHP bond funds awarded under this NOFA are not available to fund this reserve. In the alternative, the Sponsor may provide assurances from HUD acceptable to the Department that the payment will be allowed as part of the project's annual operating budget. Prior to the commencement of construction, the Sponsor must also provide the Department with evidence of HUD approval of the HCD approved Tenant Selection Plan, including specifically the deep income targeting required by MHP. The Department will be deferring to the HUD reserve requirements for the life of the HUD loan. Upon expiration of the

HUD loan, the Sponsor will then comply with the MHP requirements for both operating and replacement reserve accounts.

Q. Geographic Distribution.

MHP's enabling statute requires the program to "ensure a reasonable geographic distribution of funds." To prevent an extreme imbalance in funding, no less than approximately 45 percent of the total funds awarded under this NOFA will be awarded to projects in Southern California, 30 percent will be awarded to projects in Northern California, and 10 percent will be awarded to projects in rural areas.

For the purpose of geographic distribution, Southern California includes the counties of Kern, San Bernardino San Luis Obispo, and all counties to the south. Northern California includes all other counties of the State. "Rural" is defined to be consistent with the definition used by TCAC for the tax credit program, and a list of rural areas can be found at TCAC's website, <http://www.treasurer.ca.gov/ctcac/ctcac.htm>.

R. Prevailing Wage Requirements.

Pursuant to Health & Safety Code Section 50675.4(c)(2), projects receiving assistance under this NOFA are subject to State prevailing wage law, as set forth in Labor Code Section 1720 et seq.

S. Important Legal Matters.

HCD reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, HCD will notify all interested parties. This NOFA provides a partial summary of the MHP statute and regulations and the Nonresidential Supportive Service Space Requirements (Attachment 1). In the interest of brevity, it does not cover many aspects of those governing documents, some of which may be of critical importance to individual projects. For this reason, applicants are urged to carefully review the regulations, the Attachment and the information contained in this NOFA before submitting applications.

Article XXXIV of the California Constitution requires advance voter approval of certain publicly funded and regulated low-income housing projects. Projects funded by MHP must either have Article XXXIV approval or be exempt from the need for this approval.

All applications are subject to the considerations discussed in Section O regarding compliance with laws barring housing discrimination.

T. Application Point Scoring.

The criteria that will be used to competitively score projects are described in Section 7320, and summarized below. In assessing whether a project is “at risk,” MHP will use the same standards as TCAC (See TCAC’s regulations, Section 10325(g)(5), available on their website as identified above).

Criterion	Max. Points	Notes
Extent Project Serves the Lowest Income Levels	35	The income levels referenced in the regulations are posted on the Department website.
Extent the Project Addresses the Most Serious Local Housing Needs	15	If a market study is submitted, it must be performed by a qualified third party in accordance with the Department’s application of TCAC Market Study Guidelines, as specified in the MHP Application form.
Development and Ownership Experience of the Sponsor	20	Sponsors using alternative scoring methods in this category are advised to communicate with the Department in order to receive technical assistance.
Percentage of Units for Families or Special Needs Populations and “At-Risk” Rental Housing Developments	35	“At-risk” projects receive full points in this category.
Leverage of Other Funds	20	Sponsors of projects containing commercial space are advised to communicate with the Department in order to receive technical assistance.
Project Readiness	15	Projects must have all construction financing and all soft financing committed (exceptions are noted in MHP Regulation Sections 7320(b)(6)(A)1-6 in order to receive full points in this category.
Adaptive Reuse/Infill/Proximity to Amenities	10	Projects demonstrating compliance with the conditions of any subcategory will receive full points in this category.
Total	150	

Projects must receive a minimum point score of 125, as determined by HCD staff, in order to be considered for a funding award.

Tiebreaker: In the event of tied point scores, the Department shall rank tied applications based on the lowest weighted average affordability of Restricted Units per Section 7320.

U. Disclosure of Application.

Information provided in this application will become a public record available for review by the public pursuant to the Public Records Act. As such, any materials provided will be disclosable to any person making a public records request. As such, we caution you to use discretion in providing us with information that is not specifically requested, including but not limited to, bank

account numbers, personal phone numbers and home addresses. By providing this information to the Department, the sponsor is waiving any claim of confidentiality and consents to the disclosure of all submitted material upon request.

Do not hesitate to contact the Department if you should have any questions regarding the NOFA, the application, the application process, or necessary documents at any time during the application preparation period.

Questions should be directed to the MHP program staff at (916) 323 - 3178. Thank you for your interest in the Multifamily Housing Program.

Sincerely,

William J. Pavão
Deputy Director

Attachment

Attachment 1

Multifamily Housing Program (MHP) – General Nonresidential Space for Supportive Services Funding Requirements

Funds Available: Approximately \$3 million

A. Purpose.

The purpose of the Nonresidential Space for Supportive Services (NSSS) funding component of the MHP is to improve the lives of the residents of an MHP-General funded project by creating nonresidential space for the provision of supportive services.

These funds are available as forgivable post-construction loan funds that will be used to “take-out” construction period funds utilized for the construction of the space where the services shall be provided. These funds cannot be used for construction period funding and cannot be used to fund the services themselves. Persons other than residents of the MHP-funded project may receive the services offered in the space but residents of the MHP-funded project must be given priority over the general public.

To insure that the purpose of the NSSS is realized, the supportive services provided in the space should be flexible, enrich the residents’ quality of life, maximize independence, provide greater life stability, provide opportunities to improve personal economic status and meet the specific supportive service needs of the residents of MHP projects. Supportive services shall be provided by staff trained in working with the targeted population.

B. Eligibility Requirements.

1. The NSSS proposed for funding must be included as a component of an application for a rental housing development project that receives an award under the MHP - General 2004-05 NOFA Round B-5, dated January 26, 2005. The rental housing development project does not have to be a project that will serve an eligible Special Needs Population. However, the NSSS facility must be directly related to the needs of the tenant population. For example, the project could be targeting families and the NSSS would be used to fund the development of a child care facility that would be located across the street from the rental housing development project. Projects that have received MHP funding under a prior NOFA are not eligible to receive these funds;
2. The NSSS funds must be used for capital improvements of a space or facility wherein supportive services will be provided on a priority basis to the project residents;
3. The use of the NSSS facility must be directly related to the delivery and availability of supportive services to the project residents; and

4. The NSSS facility must be located within, or immediately proximate to, the project to be funded under this MHP – General NOFA. Immediately proximate is adjacent to the project site or directly across the street. The supportive services space must be located on real property owned or leased (with a remaining term of at least 90 years, or at least 65 years if the lessor is a public entity) by the Sponsor of the MHP - General project or an entity controlled by the Sponsor.

C. Nonresidential Space for Supportive Services funds are not eligible for the following uses unless directly related to the provision of services listed under item D. below:

1. community rooms;
2. general commercial or retail space;
3. general purposes space;
4. community kitchens;
5. sponsor or supportive services provider's administrative offices;
6. playgrounds; and
7. other uses not specifically serving the needs of the population served by the project.

D. Requirements of supportive services utilizing the Nonresidential Space for Supportive Services

Services must be linked to the needs of residents who will occupy the MHP – General project and may include:

1. services identified in the approved Special Needs Project Plan when such Plan is required in conjunction with a Special Needs Population project;
2. health services;
3. childcare;
4. computer rooms enhancing vocational or job training;
5. education;
6. case management;
7. after school educational programs; or
8. job training.

Service providers utilizing the NSSS must ensure that services are affordable and available to residents of the MHP – General funded project on a priority basis over the general public.

E. Loan Amounts and Conditions.

1. Awards are limited to the lesser of \$25,000 per Restricted Unit or \$500,000 per project.
2. Funding will be in an amount that is in addition to any applicable MHP per-unit or project

loan limits, pursuant to MHP Regulation Section 7307.

3. Sponsors must demonstrate site control for the real property on which the NSSS facility will be located, pursuant to Uniform Multifamily Regulations Section 8303.
4. Loans will be awarded only for projects that receive an award under the MHP- General 2004-05 NOFA, dated January 26, 2005.
5. Loan funds shall be disbursed at the time of the permanent MHP loan closing.
6. Loans for NSSS will be documented in the MHP Promissory Note and will have an annual interest rate of three percent and a term of 55 years. The promissory note will be secured by the MHP Deed of Trust and subject to the MHP Regulatory Agreement. The NSSS funds and accrued interest are forgivable at the end of the 55 year loan term if the borrower has complied with the terms of the Regulatory Agreement for the term of the loan. Compliance requires the continuous use of the space for the purposes indicated in the Regulatory Agreement.
7. Changes and/or alternative uses of the NSSS facility must be approved in writing by the Department prior to the proposed change in space use.
8. The annual MHP loan payment (.42 percent of the outstanding principal loan balance for the first 30 years and adjusted thereafter) will not be applicable to the supportive services space loan amount.
9. At the request of the Sponsor, at the time of application, funding for the NSSS may be subject to MHP loan repayment terms, pursuant to MHP Regulation Section 7306 and Section 7308.

F. Project Selection Criteria.

Awards will be made to the highest scoring fundable MHP - General projects in the order they are awarded funding, until the available NSSS funds are exhausted.

G. Other Considerations.

1. In the event that Nonresidential Space for Supportive Services funds are not available (e.g. the funds have been exhausted), Sponsors of fundable MHP – General projects will be required, as a condition of funding the MHP – General project loan, to demonstrate the MHP – General project’s feasibility by either:
 - a. identifying another funding source for the NSSS facility ; or
 - b. electing to not include the NSSS facility as part of the MHP – General project.
2. NSSS funding for the will not be considered in the leverage scoring calculation contained in MHP Regulation Section 7320 (b)(5).